

1 tariff provisions relating to such services under the
2 current OCAP. Such tariff provisions and any related
3 pooling arrangements shall remain in place until action
4 to change them is taken by the providers of the service
5 and by the Commission.

6 (B) The 1994 OCAP shall take effect on January 1,
7 1994. However, the approved 1993 switched access
8 revenue requirements and demand units shall be carried
9 forward into the 1994 OCAP until the 1994 switched
10 access revenue requirements and demand units are
11 reviewed and approved as part of the 1994 OCAP filing.

12 4. The signatory parties understand that this Stipulation
13 is not binding on the Commission. If the Commission rejects the
14 Stipulation or requires substantial revisions in its terms or the
15 terms of the 1994 OCAP, the parties reserve the right to withdraw
16 from the Stipulation and to seek public hearings or other
17 appropriate proceedings in this case.

18 5. The signatory parties agree that this Stipulation may
19 be executed in counterparts. Each party, either alone or in
20 conjunction with one or more parties, shall execute the original
21 or a copy of this Stipulation. Execution of copies of this
22 Stipulation shall have the same effect as execution of the
23 original.

24

25

26

STIPULATION SIGNATORY PAGE

DATED: March 29

Philip Schmitt
For OPUC Staff

DATED: _____

For Pacific Telecom, Inc.

DATED: _____

For Oregon Exchange
Carrier Association Company

DATED: _____

For United Telephone
of the Northwest, Inc.

DATED: _____

For US WEST
Communications, Inc.

DATED: _____

For Clear Creek Mutual
Telephone Company

DATED: _____

For AT&T Communications of
the Pacific Northwest

DATED: _____

For Oregon Independent
Telephone Association

DATED: _____

For MCI Telecommunications
Corp.

DATED: _____

For GVNW Inc./Management

DATED: _____

For GTE-Northwest, Inc.

OPUC DOCKET UM 384


STIPULATION SIGNATORY PAGE

DATED: _____

DATED: _____

For OPUC Staff_____
For Pacific Telecom, Inc.DATED: 3-29-93

DATED: _____



For Oregon Exchange
Carrier Association Company_____
For United Telephone
of the Northwest, Inc.

DATED: _____

DATED: _____

For US WEST
Communications, Inc._____
For Clear Creek Mutual
Telephone Company

DATED: _____

DATED: _____

For AT&T Communications of
the Pacific Northwest_____
For Oregon Independent
Telephone Association

DATED: _____

DATED: _____

For MCI Telecommunications
Corp._____
For GVNW Inc./Management

DATED: _____

For GTE-Northwest, Inc.

OPUC DOCKET UM 384

STIPULATION SIGNATORY PAGE

DATED: _____

DATED: _____

For OPUC Staff

For Pacific Telecom, Inc.

DATED: _____

DATED: _____

For Oregon Exchange
Carrier Association Company

For United Telephone
of the Northwest, Inc.

DATED: _____

DATED: _____

For US WEST
Communications, Inc.

For Clear Creek Mutual
Telephone Company

DATED: March 24, 1993

DATED: _____


For AT&T Communications of
the Pacific Northwest

For Oregon Independent
Telephone Association

DATED: _____

DATED: _____

For MCI Telecommunications
Corp.

For GVNW Inc./Management

DATED: _____

For GTE-Northwest, Inc.

OPUC DOCKET UM 384

STIPULATION SIGNATORY PAGE

DATED: _____

For OPUC Staff

DATED: 3-26-93

Cubyn K Simshaw
For Pacific Telecom, Inc.

DATED: _____

For Oregon Exchange
Carrier Association Company

DATED: _____

For United Telephone
of the Northwest, Inc.

DATED: _____

For US WEST
Communications, Inc.

DATED: _____

For Clear Creek Mutual
Telephone Company

DATED: _____

For AT&T Communications of
the Pacific Northwest

DATED: _____

For Oregon Independent
Telephone Association

DATED: _____

For MCI Telecommunications
Corp.

DATED: _____

For GVNW Inc./Management

DATED: _____

For GTE-Northwest, Inc.

OPUC DOCKET UM 384

STIPULATION SIGNATORY PAGE

DATED: _____

DATED: _____

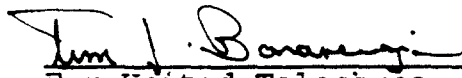
For OPUC Staff

For Pacific Telecom, Inc.

DATED: _____

DATED: 3/22/93

For Oregon Exchange
Carrier Association Company


For United Telephone
of the Northwest, Inc.

DATED: _____

DATED: _____

For US WEST
Communications, Inc.

For Clear Creek Mutual
Telephone Company

DATED: _____

DATED: _____

For AT&T Communications of
the Pacific Northwest

For Oregon Independent
Telephone Association

DATED: _____

DATED: _____

For MCI Telecommunications
Corp.

For GVNW Inc./Management

DATED: _____

For GTE-Northwest, Inc.

**1994
Oregon Customer Access Plan
(OCAP)**

Part I: Scope:

- A. This Plan governs the provision and pricing of intrastate switched access services by local exchange carriers (LECs).
- B. The Plan becomes effective on January 1, 1994, or as ordered by the Oregon Public Utility Commission (OPUC).
- C. The Plan terminates on December 31, 1997, unless extended by the OPUC.
- D. All Oregon LECs shall be subject to the provisions of this Plan and shall maintain current approved individual or joint switched access tariffs on file with the OPUC.
- E. Nothing in the Plan shall require, sanction or constitute agreement by any LEC to take any action with respect to rates or services not subject to the Plan.
- F. Any costing methods adopted by the OPUC in UM 351 will, to the extent ordered by the OPUC, be integrated into this plan.

Part II: Definitions:

For purposes of this Plan, in addition to the definitions in ORS 759.005, the following definitions apply:

- 1. "Designated Carrier" (DXC) means a telecommunications utility having the obligation to carry all intraLATA message toll which originates from LEC exchanges except in those cases where the LEC is certified as a Primary Toll Carrier (PTC), or where the customer has, through dialing, selected an IXC or PTC. U S WEST Communications (USWC) is the DXC. Nothing in the designation of USWC as the DXC is intended to or shall limit the right of any IXC or PTC to participate in the Oregon intraLATA toll market. It is the responsibility of the DXC to:
 - (a) Design and develop intraLATA message toll service rates in compliance with OPUC orders and regulations.
 - (b) Design and develop its intrastate intraLATA interexchange network in cooperation with each LEC's local exchange access network. Each party will use reasonable efforts to avoid imposing undue hardship or costs for the interconnection of such networks.
- 2. "Interexchange Carrier" (IXC) means an interexchange carrier that has a current approved certificate of authority as a Competitive Telecommunications Services Provider on file with the PUC. (ORS 759.020)

3. "Local Exchange Carrier" (LEC) means a telecommunications utility or cooperative certified to provide local exchange and carrier access services.
4. "Primary Toll Carrier" (PTC) means a telecommunications utility certified to provide intraLATA message toll services.

Part III: Objectives:

- A. To promote universal service by ensuring affordable basic local exchange service for both urban and rural communities throughout the state.
- B. To ensure that each LEC makes available nondiscriminatory access to certified IXC(s), DXC(s), and PTCs at just and reasonable rates.
- C. To foster a telecommunications climate in the state that provides, to both urban and rural consumers, a choice among competitive interexchange carriers and services at affordable prices through a balanced program of regulation and competition.
- D. To provide a simple, clearly defined and economically administered support mechanism for participating LECs as required to maintain a reasonable level of switched access rates throughout the state.
- E. To provide incentives for LEC cost controls through greater access price accountability, balanced cost allocations, and market incentives.
- F. To allow for added pricing innovations and incentives for reductions in carrier access charges that will bring about opportunities for reductions in message toll rates and stimulate utilization of the public switched network.
- G. To provide for the routine periodic preparation and filing of switched access charges and to expedite PUC review and approval of those filings to the extent feasible and consistent with regulatory responsibilities.
- H. To facilitate the identification and allocation of an appropriate level of costs to intrastate switched access services covered by this Plan.

Part IV: Intrastate Switched Access Revenue Requirements:

All LECs, whether participating in the OCAF or OUSF or filing their own individual access rates, shall develop their intrastate switched access revenue requirements on a prospective basis in accordance with the Federal Communications Commission (FCC) Regulations provided in CFR Parts 32 (Uniform System of Accounts), 64 Subpart I (Cost Allocation between regulated and non-regulated activities), 36 (Cost Separations), and 69 (Access Charges) as modified by Appendix A to this Plan or by OPUC Rules or Orders. The rate of return used to compute the revenue requirement shall be 11.1 percent or such rate of return as the OPUC may, after hearing, approve. Average schedule LECs will compute their switched access revenue requirements based on a representative sample of cost LECs.

Part V: Oregon Customer Access Fund (OCAF):

- A. The purposes of the OCAF are to alleviate pressure for geographic deaveraging of toll rates due to variations in access rates, and to reduce the risk of excessive of revenue fluctuations by allowing participating LECs to bill a common set of switched access rates with revenue redistribution based on each LEC's revenue requirement. All LECs participating in the OCAF will develop and file intrastate switched access rates for local transport, local switching and carrier common line individually or collectively, at a combined rate level equivalent to \$.05 per access minute. The difference between revenues generated by these rates and the LEC's company-specific intrastate switched access revenue requirements developed under Part IV of this Plan shall be recovered from the OCAF.
- B. LECs not participating in the OCAF, shall develop their switched access rates using company-specific intrastate switched access revenue requirements developed under Part IV of this Plan.
- C. For LECs participating in the OCAF, the OCAF revenue requirement will be determined as follows:
 - 1. Each LEC will determine their total prospective switched access revenue requirements and their prospective switched and CCL minutes of use.
 - 2. Each LEC will calculate their projected access revenues by multiplying the access minutes of use, identified in C.1 above by the access rates developed in A above.
 - 3. The difference between the revenue requirements determined in C.1 and the access revenues determined in C.2 will determine the OCAF revenue requirement.

4. The combined projected OCAF revenue requirement for all LECs will be totaled and a distribution ratio will be established by the Administrator for each participating LEC or group of LECs. OCAF distributions will be based upon the distribution ratio for each LEC or group of LECs and the total OCAF amount available for distribution. The OCAF distribution ratios will reflect OPUC approved revenue requirements, and will be applied on a going forward basis from the OPUC approved effective date.
- D. Funding of the OCAF will be accomplished by a cents per minute charge on all intrastate terminating rated CCL switched access minutes. These minutes include equivalent CCL terminating minutes imputed by DXC(s) and PTCs for access to their own exchanges. The required funding level, including administrative costs and reporting method will be determined by the Administrator. The funding rate must be approved by the OPUC.

Part VI: Oregon Universal Service Fund (OUSF):

- A. The OUSF is intended to provide support for the cost of basic local exchange service.
 1. LECs unable to complete the transition identified in Appendix A, Parts II.A and II.B can apply for OUSF support through the waiver process identified under Part VIII of this Plan.
 2. OUSF support is limited to those cases where an LEC's switched access revenue requirement is greater than \$.05 per access minute.
- B. For LECs qualifying for OUSF support, their OUSF requirement will be determined as follows:
 1. Each year the LEC will compute its switched access revenue requirement under Part IV and under the waiver parameters in Part VIII.F of the Plan. The difference between the two revenue requirements will determine the annual OUSF revenue requirement.
 2. The combined annual OUSF revenue requirement for all LECs will be totaled and a distribution ratio will be established by the Administrator for each LEC. OUSF distributions will be based upon the distribution ratio for each LEC and the total OUSF revenues available for distribution. The OUSF distribution ratios will reflect OPUC approved revenue requirements, and will be applied on a going forward basis from the OPUC approved effective date.

- C. Funding of the OUSF will be accomplished by a cents per minute charge on all intrastate terminating rated CCL switched access minutes. These minutes include equivalent CCL terminating minutes imputed by DXC(s) and PTCs for access to their own exchanges. The required funding level, including administrative costs and reporting method will be determined by the Administrator. The funding rate must be approved by the OPUC.

Part VII: OCAF Cost Controls:

Cost LECs (i.e., those LECs that prepart cost studies under Part IV of the Plan) participating in the OCAF will be subject to certain cost controls set forth below:

- A. Unless otherwise approved by the OPUC, increases in a LEC's projected switched access revenue requirement developed under Part IV will be limited to the percentage growth of its intrastate traffic sensitive access minutes from the prior year, or ten percent (10%), whichever is less. If a LEC's minute growth for the prior year is negative, its projected intrastate switched access revenue requirement cannot exceed the amount included in the prior year's approved switched access revenue requirement.
- B. The application of these cost controls will be adjusted to reflect effects of EAS conversions on a LEC's projected growth of access minutes and revenue requirements.
- C. Any LEC having increases in its switched access revenue requirement which exceeds the cost controls established in this Part, may at its discretion, file a company specific access rate additive to recover such amounts. Company specific rate additives will be subject to OPUC approval.

Part VIII: Waivers:

- A. A LEC, whether or not participating in the OCAF or OUSF, may seek a waiver to the transitional intrastate toll/access DEM Weighting Factor (Appendix A, Part II.A) or the SPF Factor (Appendix A, Part II.B) based upon a showing that further transition would create an inappropriately high revenue requirement burden on local exchange rate payers.
 - 1. For LECs seeking a waiver based on the impact of cost transitions on local exchange services, the trigger point, for the purposes this Plan, is a showing that basic residential service (single party flat with touch tone) would

be increased to a rate in excess of \$15.00 per month plus the \$3.50 Federal Subscriber Line Charge.

2. LECs may also petition to complete the cost transition faster in order to reduce the number of transition steps over the period of the Plan.
- B. LECs participating in the OCAF and desiring a waiver of the transitional cost factors in Appendix A, or the pooling cost controls set out in Part VII of this Plan, may, on or before February 1 of the rate period in question, file a petition with the OPUC and OECA requesting such relief. OECA shall, no later than February 5, serve a copy of the petition on its telecommunications service list.
- C. The waiver petitions shall be accompanied by supporting justification including, but not limited to:
1. Parts 36 and 69 cost studies showing the switched access revenue requirement and the EAS/Local earnings, with and without the requested waiver.
 2. Estimated impacts of Plan compliance on other rates and services. Exchange service tariffs, if not on file with the OPUC, should be included with the supporting material.
 3. A description of other options considered by the petitioner prior to electing to file the waiver petition.
- D. On or prior to April 1, the OPUC staff or any interested party may file objections, if any, to the waiver petition. The petitioner may file replies to objections, if any, by April 20. The OPUC, insofar as possible, will act upon such petitions at a public meeting in May. If the OPUC elects not to take final action on the petition at the May public meeting, the matter will be decided in the regular course of review in the OCAP rate filing.
- E. In considering the merits of the waiver petition, the OPUC may consider a number of factors, including but not limited to:
1. The level of local exchange and EAS rates and the change in rates proposed.
 2. The current and proposed switched access revenue requirement per minute.
 3. The cost position of the LEC.
 4. The growth and demographic circumstances (e.g., number of lines, serving area density, network usage characteristics, and mix of residential and business customers) of the LEC.

5. The earning position of the LEC in terms of its ability to absorb a cost shift without substantially raising rates.
 6. The level and growth of the Interstate Universal Service Fund.
- F. An approved waiver to the transitional cost factors in Appendix A, will take the form of setting the intrastate toll/access SPF or DEM Weighting Factor. The duration and conditions of an approved waiver may vary based on individual LEC circumstances.
- G. Nothing in this part shall limit the right of any participating LEC to submit corrected revenue requirements to OECA at any time prior to final OPUC action in regard to its waiver petition or the annual OECA rate filing. Late filings and corrections may, however, jeopardize timely OPUC action.
- H. Nothing in this part shall limit the right of any participating LEC, at any time, to seek a modification of its distribution ratio through the OECA Docket process.

Part IX: Optional Pooling and Filing Frequency:

- A. Participation in the OCAF or OUSF shall be optional for LECs on a year to year basis. However, DXC(s), PTCs, and IXC are not eligible for participation in the OCAF or OUSF. Any LEC deciding not to participate for a future rate year shall notify the OPUC and OECA in writing of its decision by January 1 of the rate year in question. OECA shall provide notification to its telecommunications service list of those LECs electing not to participate.
- B. For those LECs involved in transitional factors for local switching or subscriber line costs, or participating in the OCAF or OUSF distribution, annual filings are required. The filings should be made not later than March 15. The OPUC, insofar as possible, will act upon the OCAF and OUSF filings so that the approved rates will be effective by July 1.
- C. For those LECs not involved in transitional separation factors, and not participating in the OCAF or OUSF, the maximum interval between access filings shall not exceed two years.
- D. For purposes of OCAF and OUSF funding assessments, all LECs shall update their access minute forecasts and the terminating to originating (T/O) CCL switched access minutes ratios concurrently with OECA tariff filings unless ordered differently by the OPUC.

Part X: Amendments to the Plan:

- A. Any LEC or interested party may at any time seek amendments to the Plan through the OECA docket process. Nothing in the Plan shall impede the right of the OPUC at any time to initiate an investigation into any aspect of the Plan or its operations.
- B. If the OPUC at any time authorizes operations by one or more PTCs, the relative rights of PTCs and USWC under the Plan shall be as provided by the OPUC in the order authorizing entry of such PTC or PTCs into the intrastate toll market.

Part XI: Pool Administrator:

- A. The Oregon Exchange Carrier Association (OECA) is designated as Administrator of this Plan.
- B. OECA, as Administrator, is responsible for the collection and distribution of the OCAF and OUSF pools, and for the filing and administration of joint switched access tariffs consistent with this plan and OAR 860-32-100.
- C. The Administrator is authorized to engage and determine the compensation of such professional and technical assistance as may, in its judgment, be necessary for proper administration of the Plan. Cost of administration for all optional pools shall be separately determined and borne by such pool.
- D. LECs participating in the OCAF or OUSF, and the Administrator shall, as far as reasonably possible, coordinate all necessary information contemplated by the Plan on a single annual basis in a form permitting expedited OPUC and other interested parties review. This subsection shall not unreasonably restrict the right of independent action by an participating LEC.
- E. All proposals for changes in rates or charges made in connection with the Plan shall remain subject to OECA docket procedures and subsequent OPUC review and approval.
- F. All LECs, whether or not they are participating in the OCAF or OUSF, shall comply with the necessary information requests and tracking reports requested by the Administrator to carry out its responsibilities.
- G. The Administrator shall make such periodic reports of its administration of the Plan in accordance with OAR 860-32-100(5) and as may be required by the OPUC.

Part XII: Reserved Rights of Parties:

Nothing in this Plan shall preclude any LEC from at any time:

- A. Seeking separate OPUC approval of changes in its authorized earning level;
- B. Seeking separate OPUC approval of or otherwise making revisions in its rates or charges for services not subject to the Plan;
- C. Price listing services in accordance with applicable statutes and the OPUC administrative rules;
- D. Seeking OPUC approval of alternative forms of regulation under applicable Oregon Statutes;
- E. Seeking OPUC approval of its entry into the Oregon intrastate toll market as PTC.

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**OCAF
APPENDIX A**

Intrastate Switched Access Revenue Requirement Development

All LECs, whether participating in the OCAF or OUSF or filing their own individual access rates, shall develop their intrastate switched access revenue requirements using FCC methods provided in CFR Parts 32 (Uniform System of Accounts), 64 Subpart I (Cost Allocation between regulated and non-regulated activities), 36 (Cost Separations), and 69 (Access Charges) with exceptions and modifications as set forth below.

I. Part 64, Subpart I Exceptions (Cost Allocation between Regulated and Non-regulated Activities):
Exceptions are codified in OAR 860-27-052 and OAR 860-34-520.

II. Part 36 Exceptions (Cost Separations):

A. Local Switching Equipment - Cat 3 (CFR 36.125):

(1) The combined allocation of the local switch (Cat 3 Factor) to interstate and state toll/access operations shall not exceed 85 percent.

(2) Within the 85 percent constraint identified above, the intrastate toll/access Cat 3 Factor shall equal the unweighted toll/access DEM factor (i.e., the actual relative use of the local switch) times the DEM Weighting Factor. The intrastate toll/access DEM Weighting Factor is computed as the lesser of (a), (b) or (c) below:

(a) The interstate DEM weighting factor identified in CFR 36.125(f) OR

(b) $(85\% - \text{Interstate Cat 3 Factor})$ divided by the intrastate unweighted toll/access DEM factor OR

(c) The following transitional DEM Weighting caps:

<u>Year</u>	<u>Maximum Intrastate Toll/Access DEM Weighting Factor</u>
1994	2.5
1995	2.0
1996	1.5
1997	1.0

(3) The DEM Weighting Factor is subject to the waiver process described in Part VIII of this Plan.

- B. Subscriber Line Circuit Equipment and Subscriber Line Cable and Wire Facilities - Cat 4.13 (CFR 36.126) and 1.3 (CFR 36.154) respectively:

(1) The combined allocation of subscriber plant (Subscriber Plant Factor (SPF) plus the Federal Universal Service Fund (USF) (CFR 36.601-641) to interstate and state toll/access operations shall not exceed 85 percent.

- (a) In cases where in the interstate SPF and Federal USF alone are greater than 85%, the intrastate toll/access SPF shall equal zero unless waived by the OPUC.
- (b) For purposes of making this calculation, the Federal USF is converted to a percentage by dividing the expected USF distribution for the rate year by the unseparated loop cost as calculated consistent with CFR Part 36 using the intrastate access rate of return identified in Part IV of the Plan.

(2) Within the 85 percent constraint identified above, the intrastate toll/access SPF shall equal the A Factor times the Year End 1993 SPF plus the B Factor times the current year Subscriber Line Use (SLU) Factor. The A and B Factors are transitional factors determined as follows:

Year	Year End 1993 SPF A Factor	Current Intrastate Toll/Access SLU B Factor
1994	75%	25%
1995	50%	50%
1996	25%	75%
1997	0%	100%

The year end 1993 SPF shall remain constant through the transition period unless reset by the PUC as a result of EAS conversions or other PUC orders.

- (3) The toll/access SPF is subject to the waiver process described in Part VIII of this Plan.

III. Part 69 Exceptions (Access Charges):

- A. Application of Access Charges (CFR 69.1): Access charges will not be applied to residential customers having foreign exchange service as of December 31, 1983. See Order No. 83-869, pp. 22,23)

OCAP APPENDIX A
Page Three

- B. Net Investment Definition (CFR 69.2, 69.302): Net investment means Oregon allowable rate base. Generally, this includes Plant In Service, Accumulated Depreciation, Net Deferred Operating Income Taxes, Inventories, and PUC approved Acquisition Adjustments and the unfunded component of post-retirement benefits.
- C. Access Filings (CFR 69.3): Filing of access charges shall be in accordance with Oregon PUC rules and orders. Any costing methods adopted by the OPUC in UM 351 will, to the extent ordered by the OPUC, be intergrated into this Plan.
- D. Access Element Exceptions (CFR 69.4, 69.104, 69.203, 69.115): End User Subscriber Line Charges and Special Access Surcharges are not applicable to Oregon intrastate access.
- E. Carrier Common Line (CCL) Charges (CFR 69.105): CCL charges shall be developed per the formula contained in Order No. 87-441, Appendix A.
- F. Non-Premium Access Discounts (CFR 69.113): The non-premium access discounts shall be 30% on the CCL charge only. See Order No. 87-441, Appendix A.

tt/20/385AA

ORDER NO. **95-1103**

ENTERED **OCT 17 1995**

BEFORE THE PUBLIC UTILITY COMMISSION

TRUE COPY OF ORIGINAL

OF OREGON

~~ADMINISTRATIVE RECORDS~~

UM 731

In the Matter of the Investigation of Universal)
Service in the State of Oregon)

ORDER

DISPOSITION: UNIVERSAL SERVICE PROPOSAL ADOPTED

SUMMARY

Four Main Issues

There are four main issues addressed by the Commission in this docket:

1. The **definition** of universal service
2. The **design** objectives for a universal service funding mechanism
3. The **collection mechanism** to acquire funds for the plan
4. The **distribution mechanism** to provide funding to support universal service goals

In summary, the Commission reached the following conclusions on these issues:

Definition. Basic telephone service, for universal service purposes, is affordable switched access to the network, consisting of single-party, voice grade service with touch-tone capability. A customer would have access to local calling, including extended area service (EAS), and to ancillary services (e.g. operator services, 911). Toll blocking would be available at no cost for low-income customers. No specifications for data transmission or information service access are mandated at this time, but the Commission will monitor these issues.

DOCKETED

Design. A universal service fund should (1) be administratively simple and low cost, (2) provide the minimum amount of support necessary to maintain affordable basic network access service, and (3) require the price of basic service to cover costs prior to applying universal service credits. The universal service fund collection mechanism should (1) be supported by a broad user base and (2) be as competitively neutral as possible. Finally, distribution of universal service support should (1) maintain affordable basic local exchange service, (2) promote operating efficiency, and (3) eliminate artificial investment incentives.

Collection. The Commission adopts a gross revenue fee on all telecommunications providers to fund universal service. Legislation will be required to extend the Commission's statutory authority to include radio common carriers (RCCs) in the universal service collection and distribution mechanisms.

Distribution. The Commission adopts three basic methods of support for universal service: (1) support for local exchange carriers (LECs) who are carriers of last resort and whose overall rates would be excessive without universal service support; (2) support for targeted high-cost residential customers, triggered if the Commission orders fully regulated LECs to deaverage; and (3) expanded support for low-income residential customers.

Two-Year Review. The Commission adopts this universal service plan, subject to a review in two years, concurrent with the expiration of the Oregon Customer Access Fund (OCAF) plan, and possible sunseting or changes in the Residential Service Protection program (chapter 290, Oregon Laws 1987, as amended). This will allow the Commission to adjust the plan as necessary to recognize the effects of UM 351, increased competition, OCAF changes, federal actions, and other developments.

EXISTING UNIVERSAL SERVICE SUPPORT

A number of support mechanisms already are in existence at the state and federal levels.

Federal. Under the jurisdiction of the Federal Communications Commission (FCC), three explicit universal service support programs are currently operating: (1) the Universal Service Fund, a high-cost local exchange carrier (LEC) assistance program based on study area loop costs; (2) Lifeline Assistance programs, including Link-Up America, targeted to qualifying low income residential subscribers; and (3) Telecommunications Relay Service (TRS), targeting individuals with hearing and speech disabilities.

Oregon. Oregon has three counterparts to the federal programs: (1) OCAF, supporting the cost of basic local exchange service in high-cost areas; (2) Oregon Telephone Assistance Program (OTAP) for low-income residential customers; and (3) the Telecommunications Devices Access Program (TDAP) for disabled persons. Additional methods used by the Commission to foster universal service include low service connection charges, low-cost service

options (e.g. budget measured service), and the elimination of mileage charges for rural customers. Rate stability and network modernization are also important elements in enhancing universal service. *In the Matter of the Investigation into the Revenue Requirement and Rate Structure of Pacific Northwest Bell Telephone Company, dba U S WEST Communications*, UT 85, Order No. 90-920, p. 10-11.

Unless otherwise noted, these support mechanisms are not affected by this order. A more detailed description of these programs is attached to this order as Appendix A.

PROCEDURAL HISTORY

On January 12, 1995, Hearings Officers Simon ffitch and Nadine Faith held a prehearing conference in Salem, Oregon, to identify parties and interested persons, and to adopt a procedural schedule. At staff's request, the Hearings Officers bifurcated this proceeding into two parts. Phase I addresses policy issues and proposals relating to universal service funding, while Phase II addresses specific implementation issues for the funding proposal approved in Phase I.

Staff identified the four following issues for Phase I:

- (1): How should universal service be defined?
- (2): What should the objective criteria be for universal service funding?
- (3): Who should pay for universal service and how should the assessment be levied?
- (4): Who should receive universal service assistance?

On April 7, 1995, parties filed opening comments and draft proposals regarding universal service in Oregon. After a series of workshops, staff filed a revised proposal for a universal service funding mechanism on May 15, 1995.

The following parties commented on staff's proposal: U S WEST Communications, Inc., (USWC), GTE Northwest Inc. (GTE), PTI Communications (PTI),¹ Oregon Independent Telephone Association (OITA), Oregon Exchange Carrier Association (OECA), Sprint Corporation and United Telephone Company of the Northwest (Sprint/United), MCI Telecommunications Corporation (MCI), AT&T, McCaw Cellular Communications (McCaw),² Electric Lightwave Inc. (ELI), Teleport Communications Group (Teleport), Oregon Cable Telecommunications Association (OCTA), and Parker Communications.

¹ Telephone Utilities of Oregon, Inc., and Telephone Utilities of Eastern Oregon, Inc., do business as PTI.

² McCaw Cellular Communications, Inc., is a wholly-owned subsidiary of AT&T Corp., and filed its comments on behalf of its subsidiaries, Interstate Mobilephone Company, Salem Cellular Telephone Company, Medford Cellular Telephone Company, Inc., Eugene Cellular Telephone Company, Inc., Crystal Communications Systems, and RSA 698 Cellular, Inc., each doing business as AT&T Wireless Services.

On June 21, 1995, a hearing was held before Hearings Officers Simon ffitch and Nadine Faith in Portland, Oregon. The parties listed above appeared to respond to questions and to comment orally on staff's proposal and other docket issues.

On July 12, 1995, staff filed a post-hearing brief to address three legal issues that had been raised at hearing.

I. DEFINITION

Staff Proposal

Staff's proposed definition for basic service is divided into three primary headings: access parameters, access to services, and service standards.

1. Access Parameters

Staff proposes that the basic universal service standard include the following access parameters:

Affordable switched network access that provides: (1) single-party service with (2) voice grade or equivalent transmission parameters, (3) touch-tone capability, (4) toll blocking capability, and (5) a single directory listing. Toll blocking and a directory listing should be provided free, if requested.

2. Access to Services

Staff proposes that the public switched network allow access to:

- (1) the local exchange network, Extended Area Service (EAS) where ordered by the Commission, and long distance services;
- (2) emergency 911 services (including E-911 by the year 2000);
- (3) relay services for the hearing and speech impaired;
- (4) operator services such as call completion assistance, special billing arrangements, service and trouble assistance, and billing inquiry; and
- (5) directory assistance.

3. Service Standards

Staff proposes that the basic universal service standard should include

service quality standards set forth in the Commission's Administrative Rules. (i.e. OAR 860-23-005, 860-23-055, 860-34-380 and 860-34-390.) In making the proposal, staff acknowledges that some service standards may need modification to better define where universal service standards are not being met and to accommodate other technologies, such as wireless telecommunications.

Summary of Party Comments; Discussion

Most parties submitting comments in this proceeding agreed that a definition of services should be dynamic in order to respond to changes in the marketplace. Most suggested that the Commission conduct a periodic review of the issue to keep current with the ever-continuing proliferation of new services. The parties also agreed, however, that the definition of basic services should be based on current network capabilities. Such a pragmatic approach, it is argued, will allow timely development of a workable funding mechanism and enable the prompt resolution of related regulatory issues.

1. Access Parameters

No party disputes the inclusion of the first three and the last of staff's proposed components. Voice grade, single party service with touch-tone capability is perhaps the most basic service provided by the local exchange company. Directory listing is commonly recognized as an integral part of that service.

Several parties, however, oppose the inclusion of free toll-blocking capability. PTI contends that toll blocking is just one of many service options a customer may chose to purchase and, as such, should not be subsidized. MCI argues that toll blocking is not part of "plain old telephone service," and, accordingly, should not be considered an essential service. GTE acknowledges that toll blocking serves a useful purpose in some customer situations, but adds that the service does not have widespread customer demand. USWC notes that it currently assesses a recurring charge for that service and contends that the proposed elimination of that charge would cause a significant revenue impact on the company. As an alternative, USWC proposes the option of providing toll blocking at no charge to "qualifying" low income residential customers.

The Commission adopts the USWC toll-blocking proposal. Toll blocking is a useful service, particularly for those low-income customers who rely on it to prevent unauthorized long-distance calls that could jeopardize their access to the network. In this sense, toll blocking works as a mechanism to help achieve the goal of universal service. The service, however, is not used by a majority of residential customers, and the cost of subsidizing the service to all households does not appear to be in the public interest. The alternative proposal makes the service available to those customers who need it the most, while minimizing the cost incurred to provide the support. Free toll blocking should be limited to one line per residential household.

The other disputed access parameter is data capability. The opening order in this docket proposed that the universal service standard include transmission quality to transport low-speed data (2400 bps) facsimile (fax) transmission as well as voice. Several parties opposed or questioned the inclusion of that parameter. Other parties recommended that the data transmission figure be increased. Parker, for example, proposed a 9600 bps capability.

In its revised proposal, staff did not include a specific data capability parameter in its definition of the universal service standard. Staff noted that access lines that meet the proposed service quality standards (see discussion below) would permit basic data transmission with a 9600 bps capability. Based on that fact, the Commission concludes that this is a sufficient interim standard and should be adopted. In recognition of the need and desire for data transmission capability on the part of a growing number of customers, however, the Commission will continue to monitor this issue.

Resolution: Access Parameters:

The following access parameters should be adopted:

Affordable switched network access that provides: (1) single-party service with (2) voice grade or equivalent transmission parameters, (3) touch-tone capability, (4) toll blocking capability at no charge for OTAP customers (one line per residential household), and (5) a single directory listing. No specific data transmission capacity above current service standards is mandated at this time.

2. Access to Services

All parties generally support staff's proposal. Most view the access to these services as ancillary to the provision of basic service. Several parties did raise minor points, however.

Teleport recommends clarification of one aspect of the definition. It believes that the wording "access to the local exchange network" may cause confusion because the concept of the "local exchange network" will change as competition transforms existing exchange boundaries. Teleport also argues that, in the near future, the "local exchange network" will no longer be just one network, but rather a number of interconnected networks. Teleport interprets the phrase to mean local calling within a limited area, and recommends that the definition be worded to that effect. Accordingly, it proposes the phrase "local exchange network" be replaced with "calling within a local area." While Teleport is correct that competition is likely to change the definition of local calling, its proposed alternative - "calling within a local area" - is too unclear to be an adequate replacement. Staff's language is consistent with the current configuration of the network. For the most part, competition in the local exchange network in the near term is

expected to make use of that existing network. Because universal service support is in part predicated on the provision of local service, staff's definition is more workable at this time and should be retained. General language can be added to the definition to indicate that equivalent service is also included.

GTE raises some concerns regarding the availability of emergency services. The company fully supports the availability of 911 and E-911 as part of the basic universal service package. It notes, however, that the universal deployment of those services depends, in part, on the appropriate governmental entities contracting with telecommunications providers for the service. GTE raises a valid point. Implicit in the inclusion of 911 is the understanding that the underlying emergency service is provided by a third party. In effect, this part of the definition is subject to a "where available" condition. The Commission can address problems on this issue on a case-by-case basis through a waiver process if a particular company encounters problems with local emergency services.

OCTA agrees that, from a policy perspective, all callers should have access to operator services and directory assistance. It is concerned, however, about possible increases to the price of basic service if these two currently bundled services are made part of basic service. Consequently, it believes that further pricing information is required to determine the impact of including these services in the universal service concept. While pricing is a concern for any service, as OCTA concedes, operator service and directory assistance are essential components for basic service.³ They should be included in the definition of basic service for universal service purposes.

Resolution: Access to Services. Staff's list of proposed services is reasonable and should be adopted. Access to these services will enable customers to effectively interconnect with the public switched network while minimizing the cost incurred to provide universal service support. Mandatory access to advanced information services and other options, such as 800 services and voice mail, is not adopted at this time. As a practical matter, existing parameters allow access to a reasonable range of such services. In addition, at present, these services have not been selected by a substantial majority of residential customers. Mandating access to such services would impose a considerable cost burden on providers and on the support fund. As discussed above with regard to data transmission capacity, the Commission can revisit this issue to keep current with technological innovations and customer needs and expectations.

3. Service Quality Standards

AT&T and McCaw question the need to include service quality standards in the universal service definition. Both note that such standards were developed to ensure service quality in the context of a monopoly provided environment. In an emerging

³ Directory assistance has been designated an essential service in OAR 860-32-200. See Order No. 88-1522 at 15.